
PART 2A OF FORM ADV: FIRM BROCHURE

COLUMN PARK ASSET MANAGEMENT, LP

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This brochure (this “Brochure”) provides information about the qualifications and business practices of Column Park Asset Management, LP (the “Investment Adviser”). If you have any questions about the contents of this Brochure, please contact us at +1 646-274-7989 or todd.warren@columnpark.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

The Investment Adviser is registered as an investment adviser with the SEC. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Additional information about the Investment Adviser is available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2

MATERIAL CHANGES

As of March 30, 2020, the Investment Adviser is submitting its annual amendment to the Brochure. No material changes have been made to this Brochure since the Brochure was last submitted in March 2019.

ITEM 3
TABLE OF CONTENTS

ITEM 1 COVER PAGE.....	i
ITEM 2 MATERIAL CHANGES	ii
ITEM 3 TABLE OF CONTENTS	iii
ITEM 4 ADVISORY BUSINESS	1
ITEM 5 FEES AND COMPENSATION	4
ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT.....	7
ITEM 7 TYPES OF CLIENTS	8
ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	9
ITEM 9 DISCIPLINARY INFORMATION	26
ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	27
ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	28
ITEM 12 BROKERAGE PRACTICES.....	29
ITEM 13 REVIEW OF ACCOUNTS.....	32
ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION.....	33
ITEM 15 CUSTODY	34
ITEM 16 INVESTMENT DISCRETION	35
ITEM 17 VOTING CLIENT SECURITIES.....	36
ITEM 18 FINANCIAL INFORMATION	37

ITEM 4

ADVISORY BUSINESS

Column Park Asset Management, LP, a Delaware limited partnership (the “Investment Adviser”), commenced operations in 2013. Brian Nold, Edward Yu, and Andrew Brenner (each, a “Principal Owner”), as limited partners of the Investment Adviser and as the managing members of the general partner of the Investment Adviser, Column Park GP, LLC, a Delaware limited liability company (the “Investment Adviser General Partner”), are the principal owners of the Investment Adviser and control the Investment Adviser. The Investment Adviser General Partner has ultimate responsibility for the management, operations and investment decisions made by the Investment Adviser.

The Investment Adviser provides discretionary investment advisory services to private pooled investment vehicles, the securities of which are offered to investors on a private placement basis, including (1) Column Park Partners LP, a Delaware limited partnership (the “Onshore Fund”), and (2) Column Park Offshore Fund Ltd., a Cayman Islands exempted company (the “Offshore Fund,” and together with the Onshore Fund, the “Feeder Funds”). The Onshore Fund and the Offshore Fund invest all their assets through a “master-feeder” structure in Column Park Master Fund Ltd., a Cayman Islands exempted company (the “Master Fund” and, collectively with the Feeder Funds, the “Funds” and each, individually, a “Fund”). The Investment Adviser serves as the investment adviser with trading authority to the Master Fund. Column Park Advisors, LLC, a Delaware limited liability company affiliated with the Investment Adviser (the “General Partner”), serves as the general partner of the Onshore Fund and the manager of the Master Fund.

The Investment Adviser also currently provides discretionary investment advisory services to separately managed accounts of institutional investors (each, a “Managed Account” and collectively, the “Managed Accounts”).

The Funds and the Managed Accounts are collectively referred to in this Brochure as the “Clients” as applicable.

The Investment Adviser may in the future provide investment advice to other pooled investment vehicles and/or institutional investors in separately managed accounts.

The investment objective of the Feeder Funds, through their investments in the Master Fund, is to produce consistent, market-leading, risk-adjusted returns in all stages of the credit cycle while providing a focus on downside protection and capital preservation. The Funds are expected to employ fundamental, event driven, and tactical trading strategies in any part of the credit market as potential sources of return. The Investment Adviser seeks to achieve these objectives primarily by making long and short investments in corporate fixed income products. While the Investment Adviser may make investments in a variety of securities and financial instruments, the Investment Adviser anticipates portfolio investments primarily in the following instruments:

- High Yield Bonds;
- Investment Grade Bonds;
- Leveraged Loans;

- Credit Default Swaps;
- Distressed Debt;
- Bridge Loans;
- Equities and Equity Derivatives;
- Convertible Bonds; and
- US Treasuries.

For the Managed Accounts, advisory services, including investment objectives, are negotiated and established on an individual basis. Generally, the Investment Adviser utilizes securities and financial instruments broadly similar to those for the Funds to attempt to achieve the applicable investment objectives.

There can be no assurance that any investment objective will be achieved. Investment results may vary substantially.

The Investment Adviser's investment decisions and advice with respect to each Client are based on the investment objectives and restrictions (if any) set forth in such Client's applicable offering memoranda, organizational documents and investment management agreements (each, a "Governing Document," and collectively, the "Governing Documents") as the case may be. The Investment Adviser does not tailor its advisory services to the needs of any particular investor in the Funds.

The Investment Adviser does not participate in any Wrap Fee Programs.

As of December 31, 2019, the Investment Adviser had approximately \$926,996,000 of regulatory assets under management (as defined) on a discretionary basis. The Investment Adviser had no assets under management on a non-discretionary basis.

The descriptions set forth in this Brochure of specific advisory services that the Investment Adviser offers to clients, and investment strategies pursued and investments made by the Investment Adviser on behalf of its Clients, should not be understood to limit in any way the Investment Adviser's investment activities. The Investment Adviser may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that the Investment Adviser considers appropriate, subject as applicable to each Client's investment objectives and guidelines. The investment strategies the Investment Adviser pursues are speculative and entail substantial risks. Clients and investors should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Client will be achieved.

This Brochure generally includes information about the Investment Adviser and its relationships with its Clients and affiliates. While much of this Brochure applies to all such Clients and affiliates, certain information included herein applies to specific Clients or affiliates only.

This Brochure does not constitute an offer to sell or solicitation of an offer to buy any securities. The securities of the Funds are offered and sold on a private placement basis under exemptions promulgated under the Securities Act of 1933, as amended, and other exemptions of similar import under U.S. state laws and the laws of other jurisdictions where

an offering may be made. Investors in the Funds generally must be both “accredited investors,” as defined in Regulation D, and “qualified purchasers,” as defined in the Investment Company Act of 1940, as amended, or otherwise qualified.

ITEM 5

FEES AND COMPENSATION

The fees applicable to each Client are set forth in detail in each Client's Governing Documents. It is critical that Clients, investors and prospective investors refer to the applicable Governing Documents for a complete understanding of how the Investment Adviser is compensated for its advisory services. A brief summary of such fees is provided below.

Management Fees and Performance-Based Compensation

The Funds

Management Fee. Generally, the Master Fund pays the Investment Adviser a fee for management services (the "Management Fee") for each month between 0.125% (1.5% annualized) and 0.146% (1.75% annualized) of the net asset value ("NAV") of each series of shares in the Master Fund corresponding to (a) a Limited Partner's capital account in the Onshore Fund or (b) each series of shares of the Offshore Fund, as applicable, in either case, as of the beginning of such month, and without reduction for taxes. In general, if the Management Fee has been paid in full in advance for a period in which an investor has withdrawn its investment, the applicable portion of such Management Fee paid relating to the portion of the period after such withdrawal will be returned to the withdrawing investor, subject to the terms of the applicable Governing Document; however, the Governing Documents typically do not permit such intra-period withdrawals. In accordance with the Governing Documents, the Investment Adviser has elected to reduce, waive or calculate differently the Management Fee with respect to certain investors.

Incentive Allocation. The Master Fund has issued certain allocation shares ("Class M") to the General Partner which generally entitle the General Partner to receive an incentive allocation ("Incentive Allocation") at the end of each fiscal year, in an amount between 17.5% and 20% of the net realized and unrealized appreciation in the NAV of each share within a series corresponding to (a) a Limited Partner's capital account in the Onshore Fund or (b) each series of shares of the Offshore Fund (taking into account the Management Fee and any expenses at the Fund level that are not reflected in the NAV of a series at the Master Fund level), subject to a loss carryforward. In accordance with the Governing Documents, the General Partner has elected to reduce, waive or calculate differently the Incentive Allocation with respect to certain investors.

In the event that the Onshore Fund or the Offshore Fund is terminated or an investor withdraws or redeems its shares other than at the end of a fiscal year, then for purposes of determining the Incentive Allocation allocable at such time to the General Partner, net capital appreciation will be determined as if such dates were the end of the fiscal year, subject to certain adjustments.

The Investment Adviser and its affiliates have entered into an agreement with a large strategic investor who has made significant investments in the Funds. The terms of the agreement provide for reduced Management Fee and Incentive Allocation rates and for the right to receive special allocations based on a percentage of the Management Fee and the Incentive Allocation allocable to the General Partner.

Fees and compensation paid to the Investment Adviser or its affiliates by the Funds (including the Master Fund) are generally deducted from the assets of such Funds. As discussed above, Management Fees are generally deducted on a monthly basis and the Incentive Allocation is generally deducted on an annual basis.

Managed Accounts

Compensation for services provided to the Managed Accounts are negotiated individually. Any management fee and any performance-based fee will be payable as set forth in the applicable Governing Document.

Expenses

The Funds

The Master Fund pays its own expenses and those of the Onshore Fund and the Offshore Fund, including, but not limited to, investment-related expenses (e.g., brokerage commissions and transaction costs, clearing and settlement charges, custodial fees, interest expense, research-related expenses, including, without limitation, third-party research, news and quotation equipment and services (which include, without limitation, Bloomberg expenses and other fees for data and software providers)), third party trading-related software, legal and compliance expenses (which include, without limitation, responding to formal and informal inquiries, indemnification expenses), regulatory fees and expenses (including, without limitation, expenses related to the preparation of regulatory filings associated with the Funds and their investment activities, such as filing fees, consulting fees and costs of software and other systems relating to such filings (including, without limitation, Form PF)), insurance costs (including, without limitation, acquiring and maintaining E&O and/or D&O insurance), accounting, audit and tax preparation expenses, expenses relating to the offer and sale of the interests and shares, entity-level taxes, fees and expenses of the Funds' administrator and the Offshore Fund's and the Master Fund's Directors, organizational expenses, expenses related to the maintenance of the Offshore Fund's and the Master Fund's registered office, corporate licensing, extraordinary expenses and other similar expenses. The costs and expenses described above are allocated on a pro rata basis among the series at the Master Fund level. Notwithstanding the foregoing, the Master Fund may specially allocate any cost or expense to the series attributable to the Onshore Fund or the Offshore Fund as appropriate. Certain costs or expenses may be allocated to the series attributable to a particular investor as appropriate. In addition, certain expenses attributable to the Onshore Fund or the Offshore Fund may be borne directly by such Fund.

The Managed Accounts

Expense terms for separately managed accounts are negotiated with the individual client. Each Managed Account is responsible for its own expenses as outlined in the respective Governing Documents. Such expenses may differ from each other and from the expenses paid by the Funds, and the degree to which each Managed Account bears certain expenses is individually negotiated.

The Funds and the Managed Accounts

Client assets may be invested in money market funds, ETFs or other registered investment companies. In these cases, each Client will bear its pro rata share of the investment management fee and other fees of the fund, which are in addition to any investment management fee paid to the Investment Adviser.

More detailed information regarding the expenses to which each Client is subject is set out in each Client's Governing Documents.

Neither the Investment Adviser nor any of its Supervised Persons (defined as any officers, members, employees, or any other person who provides investment advice on the Investment Adviser's behalf and is subject to its supervision and control) accepts compensation (e.g., brokerage commissions) directly or indirectly for the sale of securities or other investment products.

For a further discussion of these and related items, see **Item 12** (Brokerage Practices).

ITEM 6

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

The Investment Adviser or its affiliates generally charge performance-based fees or allocations to every Client. Certain Client accounts have more favorable performance-based compensation arrangements than other accounts. In addition, the Investment Adviser may provide investment advisory services to additional clients in the future that may have similar or different performance-based fees and/or allocations than the performance-based fees and/or allocations of its current Clients.

The performance-based fees or allocations may create an incentive for the Investment Adviser to make investments that are riskier or more speculative than would be the case in the absence of the performance-based fees or allocations. In addition, the different rates of performance-based fees or allocations may create an incentive for the Investment Adviser to favor accounts that pay the Investment Adviser higher performance-based compensation.

The Investment Adviser has adopted and implemented policies and procedures intended to address such conflicts of interest relating to the management of multiple Clients. When trading on behalf of multiple Clients, the Investment Adviser endeavors to allocate investment opportunities to such Clients in a fair and equitable manner. The Investment Adviser's trade allocation to Clients may vary based on, among other things, differences in investment objectives, capital constraints, and any anticipated increase or decrease in any particular Client's assets under management. The Investment Adviser does not alter its allocation policy with respect to Clients without the approvals of the Investment Adviser's relevant senior management and compliance personnel.

ITEM 7

TYPES OF CLIENTS

The Investment Adviser provides investment advisory services to the Funds and the Managed Accounts, as described above. The Funds are structured as private investment companies that are exempt from registration under Section 3(c)(7) of the Investment Company Act of 1940, as amended. A minimum dollar value of assets and other conditions are typically imposed on investors in the Funds.

The Investment Adviser may in the future provide investment advisory services to other clients including, but not limited to, other pooled investment vehicles or institutional investors in separately managed accounts.

ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis and Investment Strategies

The descriptions set forth in this Brochure of specific advisory services that the Investment Adviser offers to Clients, and investment strategies pursued and investments made by the Investment Adviser on behalf of its Clients, should not be understood to limit in any way the Investment Adviser's investment activities. The Investment Adviser may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that the Investment Adviser considers appropriate, subject to each Client's investment objectives and guidelines. The investment strategies the Investment Adviser pursues are speculative and entail substantial risks. Clients and investors should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Client will be achieved.

As discussed in **Item 4** above, the Funds' investment objective generally is to produce consistent, market-leading, risk-adjusted returns with a focus on downside protection and capital preservation, in all stages of the credit cycle, primarily by making long and short investments in corporate fixed income products.

In particular, the Investment Adviser as it relates to the Funds:

- seeks to actively manage Fund exposures in order to protect capital while actively monetizing investments during periods of both high and low volatility;
- is agnostic between being net long or net short; and
- seeks to build a portfolio of high conviction long and short investments backed by fundamental research.

Fund portfolios are expected to employ fundamental, event driven, and tactical trading strategies in any part of the credit market as potential sources of return.

As discussed in **Item 4** above, the Managed Accounts' investment objectives are established on an individual basis. With respect to a managed account that pursues substantially the same investment objective as the Funds, the discussion immediately above in this **Item 8** regarding the Funds is applicable.

The Investment Adviser's investment philosophy is based on four primary principles: (i) returns, (ii) process, (iii) risk management and (iv) culture.

Returns. The Investment Adviser aims to generate returns in all market conditions by over-weighting investments with short-term, highly realizable gains in what it deems fully-valued markets and over-weighting opportunities with significant upside and margin of safety in markets that it deems undervalued. The Investment Adviser seeks to maximize investment opportunities by investing across any corporate asset class, but with an emphasis on fixed income instruments.

Process. The core of the Investment Adviser's investment process is based on bottom-up, fundamental research. The Investment Adviser seeks to construct a portfolio at the individual position level rather than manage towards a net exposure.

Risk Management. The Investment Adviser believes that core to successful credit investing is a deep understanding of downside risks, continuous risk management, and disciplined portfolio construction. Risk management begins at the security selection level and then is monitored throughout the life of an investment. The Investment Adviser seeks to minimize avoidable losses by performing comprehensive research and due diligence prior to portfolio addition. The Investment Adviser uses various risk analytics to monitor potential risks to the portfolio.

Culture. The Investment Adviser believes that human capital development is required at all levels throughout the firm. The Investment Adviser seeks to hire individuals of the highest caliber, intelligence, and character who also exhibit investment acumen and investment passion.

Material, Significant or Unusual Risks Relating to Investment Strategies

*The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the Clients advised by the Investment Adviser. These risk factors include only those risks the Investment Adviser believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by the Investment Adviser on behalf of its Clients. Additional risk factors are outlined in the Governing Documents. **There can be no assurance that the Clients will achieve their investment objectives.***

Risks of Investments Generally. An investment in the Investment Adviser's products and strategies involves risks, including the risk that the entire amount invested may be lost. The Investment Adviser's strategies will invest in and may actively trade securities and other financial instruments using investment techniques with certain risk characteristics, including, without limitation, risks arising from the volatility of the debt and equity markets, the potential illiquidity of securities and other financial instruments and the risk of loss from counterparty defaults. No guarantee or representation is made that a Client's investment objective will be achieved.

General Economic and Market Conditions. The success of the Investment Adviser's strategies will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts and security operations). These factors may affect the level and volatility of the prices and the liquidity of the strategies' investments. Volatility or illiquidity could impair profitability or result in losses. The Investment Adviser may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets.

Liquidity Risks. Under certain market conditions, such as during volatile markets or when trading in a security or market is otherwise impaired, the liquidity of portfolio positions may be reduced. During such times, a Client may be unable to dispose of certain assets, which would adversely affect the Investment Adviser's ability to manage the Client's

portfolio or to meet the Client's redemption requests. In addition, such circumstances may force a Client portfolio to dispose of assets at reduced prices, thereby adversely affecting performance. If there are other market participants seeking to dispose of similar assets at the same time, a Client may be unable to sell such assets or prevent losses relating to such assets. Furthermore, if a Client incurs substantial trading losses, the need for liquidity could rise sharply while its access to liquidity could be impaired. In addition, in conjunction with a market downturn, a Client's counterparties could incur losses of their own, thereby weakening their financial condition and increasing the Client's credit risk to them.

Fundamental Analysis. The core of the Investment Adviser's investment decisions are based on bottom-up, fundamental research. Data on which fundamental analysis relies may be inaccurate or may be generally available to other market participants. To the extent that any such data are inaccurate or that other market participants have developed, based on such data, trading strategies similar to a Client's trading strategies, the Client may not be able to realize its investment goals. In addition, fundamental market information is subject to interpretation. To the extent that the Investment Adviser misinterprets the meaning of certain data, a Client may incur losses.

Undervalued Securities. The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from a Client portfolio's investments may not adequately compensate for the business and financial risks assumed.

Leverage; Interest Rates; Margin. The use of leverage has attendant risks and can substantially increase the adverse impact to which a Client's investment portfolio may be subject. The use of leverage will allow a Client to make additional investments, thereby increasing its exposure to assets, such that its total assets may be greater than its capital. However, leverage will also magnify the volatility of changes in the value of a Client's portfolio. The effect of the use of leverage by a Client in a market that moves adversely to its investments could result in substantial losses to a Client, which would be greater than if the Client was not leveraged. In addition, any leverage used by a Client is subject to the risk that changes in the general level of interest rates may adversely affect expenses and operating results.

In general, any use of short-term margin borrowings results in certain additional risks. For example, should the securities pledged to brokers to secure the portfolio's margin accounts decline in value, the portfolio could be subject to a "margin call," pursuant to which the Client must either deposit additional funds with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden precipitous drop in the value of the portfolio's assets, the Client might not be able to liquidate assets quickly enough to pay off its margin debt.

In the futures and forward markets, margin deposits are typically low relative to the value of the futures contracts purchased or sold. Such low margin deposits are indicative of the fact that any futures or forward contract trading is typically accompanied by a high degree of leverage. Low margin deposits mean that a relatively small price movement in a contract may result in immediate and substantial losses to the investor.

To the extent a Client purchases an option in the U.S., there is no margin requirement because the option premium is paid for in full. The premiums for certain options traded on non-U.S. exchanges may be paid for on margin. Whether any margin deposit will be required for over-the-counter options and other over-the-counter instruments depends on the credit determinations and specific agreements of the parties to the transaction, which are individually negotiated.

Lending of Portfolio Securities. A Client may lend securities on a collateralized and an uncollateralized basis from its portfolio to creditworthy securities firms and financial institutions. While a securities loan is outstanding, the Client will continue to receive the equivalent of the interest or dividends paid by the issuer on the securities, as well as interest on the investment of the collateral or a fee from the borrower. The risks in lending securities, as with other extensions of secured credit, if any, consist of possible delay in receiving additional collateral, if any, or in recovery of the securities or possible loss of rights in the collateral, if any, should the borrower fail financially.

Diversification and Concentration. The Investment Adviser may select investments that are concentrated in a limited number or types of securities. In addition, a Client portfolio may become significantly concentrated in securities related to a single or a limited number of issuers, industries, sectors, strategies, countries or geographic regions. This limited diversification may result in the concentration of risk, which, in turn, could expose the Client to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such securities.

Hedging Transactions. A Client may have both long and short positions. The Investment Adviser is not required to hedge market risks or other risks inherent in a Client's positions. In addition, the Investment Adviser may not anticipate a particular risk so as to hedge against it.

A Client portfolio, however, may utilize a variety of financial instruments (including options, futures and derivatives), both for investment purposes and (to the extent desired) for risk management purposes in order to: (i) protect against possible changes in the market value of the portfolio resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect the unrealized gains in the value of the portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in the portfolio; (v) hedge the interest rate or currency exchange rate on any of the Client's liabilities or assets; (vi) protect against any increase in the price of any securities the Client anticipates purchasing at a later date; or (vii) for any other reason that the Investment Adviser deems appropriate.

The Investment Adviser may be unable to anticipate the occurrence of a particular risk and, therefore, may be unable to attempt to hedge against it. While the Investment Adviser may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Client portfolio than if it had not engaged in any such hedging transaction. Moreover, the portfolio will always be exposed to certain risks that cannot be hedged.

The success of the Investment Adviser's hedging is subject to the Investment Adviser's ability to correctly assess the degree of correlation between the performance of the instruments used to hedge and the performance of the investments in the portfolios being

hedged. Since the characteristics of many securities change as markets change or time passes, the success of the instances when the Investment Adviser hedges portfolio positions is also subject to the Investment Adviser's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the Investment Adviser may enter into certain hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Client than if they had not engaged in any such hedging transactions. For a variety of reasons, the Investment Adviser may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent a Client portfolio from achieving the intended hedge or expose the Client to risk of loss. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of portfolio holdings.

Necessity for Counterparty Trading Relationships; Counterparty Risk. A Client will establish relationships to obtain financing, derivative intermediation and prime brokerage services that permit it to trade in any variety of markets or asset classes over time; however, there can be no assurance that a Client will be able to maintain such relationships or establish such relationships. An inability to establish or maintain such relationships would limit the Client's trading activities, and could create losses, preclude that Client from engaging in certain transactions, financing, derivative intermediation and prime brokerage services and prevent trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships before a Client establishes additional relationships could have a significant impact on the Client's performance due to its reliance on such counterparties.

Some of the markets in which a Client portfolio may effect transactions are not "exchange-based," including "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of "exchange-based" markets are subject. The lack of evaluation and oversight of over-the-counter markets exposes a Client to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Client to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where a Client portfolio has concentrated its transactions with a single or small group of counterparties. Generally, a Client is not restricted from dealing with any particular counterparties. The Investment Adviser's evaluation of the creditworthiness of counterparties may not prove sufficient. The lack of a complete and "foolproof" evaluation of the financial capabilities of a Client portfolio's counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Client.

Counterparty Fraud. Of paramount concern in investments is the possibility of material misrepresentation or omission on the part of a counterparty. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying an investment. The Investment Adviser relies upon the accuracy and completeness of representations made by counterparties to the extent reasonable, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to Clients may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Counterparty Insolvency. A Client's assets may be held in one or more accounts maintained for the Client by counterparties, including its prime brokers. There is a risk that any of such counterparties could become insolvent. The insolvency of a Client's counterparties is likely to impair the operational capabilities or the assets of the Client portfolio. Although the Investment Adviser regularly monitors the financial condition of the counterparties it uses, if one or more of a Client's counterparties were to become insolvent or the subject of liquidation proceedings in the U.S. (either under the Securities Investor Protection Act or the U.S. Bankruptcy Code), there exists the risk that the recovery of the Client's securities and other assets from such prime broker or broker-dealer will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer.

In addition, a Client portfolio may use counterparties located in various jurisdictions outside the U.S. Such local counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to a Client's assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on the Client portfolio and its assets. Clients should assume that the insolvency of any counterparty would result in a loss, which could be material.

Competition; Availability of Investments. Certain markets in which a Client portfolio may invest are extremely competitive for attractive investment opportunities. As a result, there can be no assurance that the Investment Adviser will be able to identify or successfully pursue attractive investment opportunities in such environments.

Currency Exchange Exposure. A Client portfolio may invest in securities denominated in non-U.S. currencies, the prices of which are determined with reference to currencies other than the U.S. dollar. There can be no guarantee that securities suitable for hedging currency or market shifts will be available at a given time, or that hedging techniques employed in a Client portfolio will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all, which may result in losses.

Furthermore, a Client may incur costs in connection with conversions between various currencies. Non-U.S. currency exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell currency to a Client at one rate, while offering a lesser rate of exchange should the Client desire immediately to resell that currency to the dealer. A Client portfolio may conduct its currency exchange transactions either on a spot (i.e., cash) basis at the spot rate prevailing in the currency exchange market, or through entering into forward or options contracts to purchase or sell non-U.S. currencies. A Client may seek to protect the value of some portion or all of its portfolio holdings against currency fluctuations by engaging in hedging transactions, but there can be no assurance that such hedging transactions will be effective. A Client portfolio may enter into forward contracts on currencies, as well as purchase put or call options on currencies, in U.S. or non-U.S. markets. There can be no guarantee that instruments suitable for hedging currency risk will be available at the time when a Client wishes to use them or will be able to be liquidated when the Client wishes to do so.

Restricted Investments. A Client portfolio may invest in securities which are subject to legal or other restrictions on transfer. The market prices, if any, for such securities tend to be volatile and may not be readily ascertainable, and a Client portfolio may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

Non-U.S. Investments. While Client portfolios invest predominantly in companies inside the United States, the portfolio may make investments in companies outside the United States. Investing in the securities of companies in non-U.S. countries involves certain considerations not usually associated with investing in securities of U.S. companies or U.S. markets, including: political and economic considerations, such as greater risks of expropriation and nationalization, confiscatory taxation, the potential difficulty of repatriating funds, general social, political and economic instability and adverse diplomatic developments; the possibility of imposition of withholding or other taxes on dividends, interest, capital gain, gross sale or disposition proceeds or other income; the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict investment opportunities. In addition, accounting and financial reporting standards that prevail in such countries generally are not equivalent to U.S. standards and, consequently, less information is available to investors in companies located in such countries than is available to investors in companies located in the U.S. There is also less regulation, generally, of the securities markets in such countries than there is in the U.S. As a result, a Client portfolio may be unable to structure its transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce a Client's rights in such markets. For example, securities traded on non-U.S. exchanges and the non-U.S. persons that trade these instruments are not subject to the jurisdiction of the Securities and Exchange Commission, or the Commodity Futures Trading Commission, the securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded to the Client under such laws and regulations are unavailable for transactions on non-U.S. exchanges and with non-U.S. counterparties.

Systemic Risk. World events and/or activities of one or more large participants in the financial markets and/or other events or activities of others could result in a temporary systemic breakdown in the normal operation of financial markets. Such events could result in a Client losing substantial value caused predominantly by liquidity and counterparty issues, which could result in the Clients incurring substantial losses.

Cybersecurity. The computer systems, networks and devices used by the Investment Adviser and service providers to the Investment Adviser and the Clients to carry out routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failure, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks, or devices potentially can be breached. The Clients and their investors could be negatively impacted as a result of a cybersecurity breach.

Cybersecurity breaches can include, but are not limited to: unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow or otherwise disrupt operations, business

processes, or website access or functionality. Cybersecurity breaches may cause disruptions and impact business operations, potentially resulting in financial losses to Clients; interference with the ability to calculate the value of an investment in a Client account; impediments to trading; inability of the Investment Adviser and/or other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, additional compliance costs, as well as the inadvertent release of confidential information and any other type of unforeseen result.

Similar adverse consequences could result from cybersecurity breaches that affect: issuers of securities in which a Client invests; counterparties with which a Client engages in transactions; governmental and other regulatory authorities; exchange and other financial market operators; banks, brokers, dealers, insurance companies, and other financial institutions; and other parties. In addition, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future.

Risks Associated with Particular Types of Securities

Fixed Income Securities Generally. A Client portfolio may invest in bonds or other fixed income securities across the duration and credit (from investment-grade to high-yield) spectrum of U.S. and non-U.S. issuers, including, without limitation, bonds, notes and debentures issued by corporations, municipal bonds, debt securities issued or guaranteed by the U.S. Government or one of its agencies or instrumentalities and commercial paper. Fixed income securities pay fixed, variable or floating rates of interest. The value of fixed income securities in which a Client portfolio invests will change in response to fluctuations in interest rates. In addition, the value of certain fixed-income securities can fluctuate in response to perceptions of creditworthiness, political stability or soundness of economic policies. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk).

High-Yield Securities. A Client portfolio may invest in high-yield securities. Such securities are generally not exchange traded and, as a result, these instruments trade in a smaller secondary market than exchange-traded bonds. In addition, a Client portfolio may invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments. Investing in high yield debt securities involves risks which are greater than the risks of investing in higher quality debt securities. These risks include: (i) changes in credit status, including weaker overall credit conditions of issuers and risks of default; (ii) industry, market and economic risk; (iii) interest rate fluctuations; and (iv) greater price variability and credit risks of certain high-yield securities such as zero coupon and payment-in-kind securities. While these risks provide the opportunity for maximizing return over time, they may result in greater upward and downward movement of the value of a Client portfolio. Furthermore, the value of high-yield securities may be more susceptible to real or perceived adverse economic, company or industry conditions than is the case for higher quality securities. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Adverse market, credit or economic conditions

could make it difficult at certain times to sell certain high-yield securities held by a Client portfolio.

Investment-Grade Securities. A Client portfolio may invest in investment-grade securities. Investment-grade securities are generally rated BBB- or higher by Standard & Poor's Ratings Group, or Baa3 or higher by Moody's Investors Service. Investment-grade securities generally trade at a spread to U.S. Government Treasuries and, when interest rates rise, the value of investment-grade securities can be expected to decline. Additionally, a Client portfolio that holds investment-grade securities is subject to the risk that the portfolio's income will decline when interest rates fall because coupons can no longer be reinvested at the higher rate. Additional risks, among others, applicable to investment-grade securities include: (i) susceptibility to economic recession; (ii) possible rating downgrades; (iii) credit risk created when a debt issuer fails to pay interest and principal; and (iv) negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline.

Credit Ratings. Credit ratings issued by credit rating agencies are designed to evaluate the safety of principal and interest payments of rated securities. In general, the ratings of nationally recognized rating organizations represent the opinions of such agencies as to the quality of securities that they rate. Such ratings are relative and subjective; they are not absolute standards of quality and do not evaluate the market value risk of the financial instruments and, therefore, may not fully reflect the true risks of an investment. Such credit ratings may be downgraded or otherwise changed and may be subject to revision, suspension or withdrawal by the rating agency at any time. In addition, credit rating agencies may or may not make timely changes in a rating to reflect changes in the economy or in the conditions of the issuer that affect the market value of the security. Consequently, credit ratings are not a recommendation to buy, sell or hold securities and are used only as a preliminary indicator of the investment quality.

Loan Investments Generally. Success in the area of loan investing will depend, in part, on the ability to obtain loans on advantageous terms. In purchasing loans, a Client portfolio will compete with a broad spectrum of investors and institutions. Increased competition for, or a diminution in the available supply of, qualifying loans could result in lower yields on such loans, which could reduce returns to Clients.

Leveraged Loans. "Leveraged loans" are loans made to companies with a below investment-grade rating from any nationally recognized rating agency. Such loans may be performing poorly when a Client portfolio acquires them. There is no assurance that the Investment Adviser will correctly evaluate the value of the assets collateralizing such loans or the prospects for distribution on or repayment of such loans. A Client portfolio may lose its entire investment or may be required to accept cash, property or securities with a value less than a Client portfolio's original investment and/or may be required to accept payment over an extended period of time.

Hung Loans. The term "hung loan" commonly refers to a loan that has been made (or has been committed to be made), and the lender is not able to syndicate the loan on the originally anticipated terms. Hung loans are illiquid and lack readily ascertainable market values; there is no assurance that the price to be paid for hung loans by a Client portfolio will reflect a discounted price that should allow a Client portfolio to achieve a positive return on such loans or avoid losses. Since the price of the loans to be purchased is expected to

continue to be significantly impacted by, in addition to the specific circumstances relating to each loan (e.g., in the case of a loan relating to a leveraged buyout (“LBO”), the financial condition of the target), global and macro-economic conditions (e.g., monetary policy, changes to currency exchange rates, governmental intervention or changes to existing laws, international geo-political events, etc.) as well as other systemic factors, it is possible that loans purchased by a Client portfolio will suffer significant impairments in value as a result of events not predicted. A Client portfolio may also face difficulties in disposing of or leveraging such loans, or in doing so without incurring losses. The markets in which hung loans are purchased and sold have been volatile and are likely to continue to be volatile in the future.

Bank Loans. Bank loans are subject to unique risks, including: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors’ rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the ability of a Client to directly enforce its rights with respect to participations. Successful claims by third parties arising from these and other risks will be borne by the Client portfolio.

As secondary market trading volumes increase, new loans are frequently adopting standardized documentation to facilitate loan trading, which may improve market liquidity. There can be no assurance, however, that future levels of supply and demand in loan trading will provide an adequate degree of liquidity or that the current level of liquidity will continue. Because of the provision to holders of such loans of confidential information relating to the borrower, the unique and customized nature of the loan agreement, and the private syndication of the loan, loans are not as easily purchased or sold as a publicly traded security, and historically the trading volume in the loan market has been small relative to the high-yield debt market.

Second Lien Loans. A Client portfolio may invest in loans that are secured by a second lien on assets. Second lien loans have been a developed market for a relatively short period of time, and there is limited historical data on the performance of second lien loans in adverse economic circumstances. In addition, second lien loan products are subject to intercreditor arrangements with the holders of first lien indebtedness, pursuant to which the second lien holders have waived many of the rights of a secured creditor, and some rights of unsecured creditors, including rights in bankruptcy that can materially affect recoveries. While there is broad market acceptance of some second lien intercreditor terms, no clear market standard has developed for certain other material intercreditor terms for second lien loan products. This variation in key intercreditor terms may result in dissimilar recoveries across otherwise similarly situated second lien loans in insolvency or distressed situations. While uncertainty of recovery in an insolvency or distressed situation is inherent in all debt instruments, second lien loan products carry more risks than certain other debt products. Beginning in August 2007, the market for many loan products, including second lien loans, contracted significantly which made virtually all leveraged loan products, particularly second lien loan products, less liquid or illiquid. Many participants ceased underwriting and purchasing certain second lien loan products. There can be no assurance that the market for second lien loans will not contract further.

Bridge Loans. It is a common practice for financial institutions to commit to providing bridge loans to facilitate acquisitions, including LBOs, where they serve as

advisers to the purchaser. Bridge loans are frequently made because, for timing or market reasons, longer-term financing is not available at the time the funds are needed, which is often at the time of the closing of an acquisition. In the past, these commitments were not frequently drawn upon due to the availability of other sources of financing; however, due to market conditions affecting the availability of these other sources of financing (principally high-yield bond transactions), bridge loan commitments have been and may be drawn upon more regularly. Since these commitments were not regularly drawn upon in the past, there is little history for investors to rely upon in evaluating investments in bridge loans. Bridge loans often have shorter maturities. Borrower and lenders typically agree to shorter maturities based on the anticipation that the bridge loans will be replaced with other forms of financing within such shorter time period. However, the source and timing of such replacement financing may be uncertain and can be affected by, among other things, market conditions and the financial condition of the borrower at the maturity date of the bridge. If the borrower is unable to obtain replacement financing and repay the bridge loan at maturity, the terms of the bridge loan may provide for the bridge loan to be converted to a longer term loan. If bridge loans are not repaid (or cannot be disposed of on favorable terms) on the dates projected by the Investment Adviser, there may be an adverse effect upon the ability of the Investment Adviser to manage the assets of a Client portfolio in accordance with its models and projections or an adverse effect upon performance and the Client's ability to make distributions.

Debtor-in-Possession ("DIP") Loans. Loans to companies that have filed for protection under Chapter 11 of the U.S. Bankruptcy Code, as amended, are most often asset-based, revolving working-capital facilities put into place at the outset of a Chapter 11 case to provide the debtor with both immediate cash and the ongoing working capital that will be required during the reorganization process. While such loans are generally less risky than many other types of loans as a result of their seniority in the debtor's capital structure and because their terms have been approved by a federal bankruptcy court order, it is possible that the debtor's reorganization efforts may fail and the proceeds of the ensuing liquidation of the DIP lender's collateral might be insufficient to repay in full the DIP loan.

Fraud Associated with Loans. Of paramount concern in loan investments is the possibility of material misrepresentation or omission on the part of the borrower or loan seller. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of a Client to perfect or effectuate a lien on the collateral securing the loan. A Client will rely upon the accuracy and completeness of representations made by borrowers to the extent reasonable, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to a Client portfolio may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Distressed Obligations. The obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems (including companies involved in bankruptcy or other reorganization and liquidation proceedings) are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the risk that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the

bankruptcy court's power to disallow, reduce, subordinate, recharacterize debt as equity or disenfranchise particular claims. Such companies' obligations may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies.

The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that the value of the assets collateralizing a Client portfolio's investments will be sufficient or that prospects for a successful reorganization or similar action will become available. In any reorganization or liquidation proceeding relating to a company in which a Client portfolio may invest, the Client may lose its entire investment, may be required to accept cash or securities with a value less than its original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from a Client portfolio's investments may not compensate adequately for the risks assumed. In addition, under certain circumstances, payments and distributions may be disgorged if any such payment is later determined to have been a fraudulent conveyance or a preferential payment.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Client of the security in respect to which such distribution was made.

Convertible Securities. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by a Client portfolio is called for redemption, the Client will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the Client's ability to achieve its investment objective.

Equity Securities. A Client portfolio may include equity and equity-related securities of U.S. and non-U.S. companies. The value of equity securities of public companies and equity derivatives generally varies with the performance of the issuer and movements in the equity markets. As a result, a Client portfolio may suffer losses if it will invest in equity instruments of issuers whose performance diverges from the Investment Adviser's expectations or if equity markets generally move in a single direction and a Client has not hedged against such a general move.

Derivative Instruments Generally. Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk. Derivatives traded over-the-counter may not have an authoritative source of valuation and the models used to value such derivatives is subject to change. In addition, a Client portfolio may, in the future, take advantage of new opportunities. Special risks may apply in the future that cannot be determined at this time with respect to certain other derivative instruments that

are not presently contemplated for use or that are currently not available. The regulatory and tax environment for derivative instruments is evolving, and changes in the regulation or taxation of such securities may have a material adverse effect.

Call Options. There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security offset by the gain from the premium received if the option expires out of the money, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing the premium if the option expires out of the money.

Put Options. There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sale price of the short position of the underlying security offset by the premium if the option expires out of the money, and thus the gain in the premium, and the option seller gives up the opportunity for gain on the underlying security below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security to zero. The buyer of a put option assumes the risk of losing the premium if the option expires out of the money.

Index or Index Options. The value of an index or index option fluctuates with changes in the market values of the securities included in the index. Because the value of an index or index option depends upon movements in the level of the index rather than the price of a particular security, whether the Client will realize appreciation or depreciation from the purchase or writing of options on indices depends upon movements in the level of instrument prices in the security market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular securities.

Index Futures. The price of index futures contracts may not correlate perfectly with the movement in the underlying index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, shareholders may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Second, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Successful use of index futures contracts by a Client portfolio also is subject to the Investment Adviser's ability to correctly predict movements in the direction of the market.

Futures Contracts. A Client portfolio may invest in futures contracts or options thereon. Futures positions may be illiquid because, for example, many commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the

daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Futures contract prices on various commodities or financial instruments occasionally have moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Client from promptly liquidating unfavorable positions and subject a Client portfolio to substantial losses. In addition, a Client may not be able to execute futures contract trades at favorable prices if trading volume in such contracts is low. It is also possible that an exchange or a regulator may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only.

Forward Trading. Forward contracts and options thereon, unlike futures contracts, are generally not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by a Client portfolio due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward (and futures) trading to less than that which the Investment Adviser would otherwise recommend, to the possible detriment of the Client. Market illiquidity or disruption could result in major losses to a Client.

Swap Agreements. A Client portfolio may enter into swap agreements. These agreements are individually negotiated and can be structured to include exposure to a variety of different types of investments, asset classes or market factors. Depending on their structure, swap agreements may increase or decrease a Client portfolio’s exposure to, for example, equity securities. Swap agreements can take many different forms and are known by a variety of names. A Client portfolio is not limited to any particular form of swap agreement if consistent with the Client’s investment objective. Whether the Client’s use of swap agreements will be successful depends on the Investment Adviser’s ability to select appropriate transactions for the Client portfolio. Swap transactions may be highly illiquid and may increase or decrease the volatility of a Client portfolio. Moreover, a Client portfolio bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. A Client portfolio also bears the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of the Client to post or maintain required collateral. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect a Client’s ability to terminate existing swap transactions or to realize amounts to be received under such transactions.

Credit Default Swaps. Credit default swaps can be used to implement the Investment Adviser’s view that a particular credit, or group of credits, will experience credit improvement or deterioration. In the case of expected credit improvement, a Client portfolio may sell credit default protection in which it receives a premium to take on the risk. In such

an instance, the obligation of the Client to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. A Client portfolio may also buy credit default protection with respect to a referenced entity if, in the Investment Adviser's judgment, there is a high likelihood of credit deterioration. In such instance, the Client will pay a premium regardless of whether there is a credit event. The credit default swap market in high-yield securities is comparatively new and rapidly evolving compared to the credit default swap market for more seasoned and liquid investment-grade securities, creating the risk that the newer markets will be less liquid, and making it potentially more difficult to exit or enter into a particular transaction.

Other Derivative Instruments. A Client portfolio may take advantage of opportunities with respect to certain other derivative instruments that are not currently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objective of the Client and believed by the Investment Adviser to be legally permissible. Special risks may apply to instruments in which a Client portfolio invests in the future that cannot be determined at this time or until such instruments are developed or invested in by the Client. Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.

High Volatility. The prices of derivative instruments, including currencies, futures and option prices, can be highly volatile. Price movements of derivative contracts in which a Client portfolio's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instruments, futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. A Client portfolio is also subject to the risk of the failure of any exchanges on which its positions trade or of their clearinghouses.

Currencies. A Client portfolio may enter into spot and forward currency contracts or invest in currency futures contracts and options on currencies and futures to hedge currency risk by shifting exposure to foreign currency fluctuations from one currency to another with respect to the Client portfolio. Currency transactions made on a spot (i.e., cash) basis are at the spot rate prevailing in the currency exchange market. A forward currency contract, which involves an obligation to purchase or sell a specific currency at a future date at a price set at the time of the contract, reduces a Client portfolio's exposure with respect to its investment to changes in the value of the currency it will deliver and increases the Client's exposure to changes in the value of the currency it will receive for the duration of the contract.

Currency trading is subject to risks different from those of other securities transactions. Because exchange rate control is of great importance to the issuing governments and influences economic planning and policy, purchases and sales of currency and related instruments can be negatively affected by government exchange controls, blockages, and manipulations or exchange restrictions imposed by governments. These government actions can result in losses to a Client if it is unable to deliver or receive currency or funds in settlement of obligations. Buyers and sellers of currency futures are subject to the

same risks that apply to the use of futures generally. Furthermore, settlement of a currency forward contract for the purchase of most currencies must occur at a bank based in the issuing nation. The ability to establish and close out options on currency futures is subject to the maintenance of a liquid market, which may not always be available. Currency exchange rates may fluctuate based on factors extrinsic to that country's economy.

At or before the maturity of a forward currency contract, a Client may either make delivery of the currency, or terminate its contractual obligation to deliver the currency by buying an "offsetting" contract obligating it to buy, on the same maturity date, the same amount of the currency.

If a Client portfolio engages in an offsetting transaction, it may later enter into a new forward currency contract to sell the currency. If the Client engages in an offsetting transaction, it will incur a gain or loss to the extent that there has been movement in forward currency contract prices. If forward prices go down during the period between the date the Client enters into a forward currency contract for the sale of a currency and the date it enters into an offsetting contract for the purchase of the currency, the Client will realize a gain to the extent that the price of the currency it has agreed to sell exceeds the price of the currency it has agreed to buy. If forward prices go up, a Client portfolio will suffer a loss to the extent the price of the currency it has agreed to buy exceeds the price of the currency it has agreed to sell.

Short Selling. Our Clients engage in short selling. Short selling involves selling securities which are not owned and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which a Client portfolio may engage in short sales will depend upon the Investment Adviser's ability to identify and sell short securities that are overvalued. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to a Client portfolio of buying those securities to cover the short position. There can be no assurance that a Client will be able to maintain the ability to borrow securities sold short. In such cases, the Client can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Short strategies can also be implemented synthetically through various instruments and be used with respect to indices or in the over-the-counter market and with respect to futures and other instruments. In some cases of synthetic short sales, there is no floating supply of an underlying instrument with which to cover or close out a short position and the Client portfolio may be entirely dependent on the willingness of over-the-counter market makers to quote prices at which the synthetic short position may be unwound. There can be no assurance that such market makers will be willing to make such quotes. Short strategies can also be implemented on a leveraged basis. Lastly, even though a Client portfolio secures a "good borrow" of the securities sold short at the time of execution, the lending institution may recall the lent security at any time, thereby forcing the Client to purchase the security at the then-prevailing market price, which may be higher than the price at which such security was originally sold short by the Client.

Repurchase and Reverse Repurchase Agreements. The Client may enter into repurchase and reverse repurchase agreements. When a Client portfolio enters into a repurchase agreement, it “sells” securities to a broker-dealer or financial institution, and agrees to repurchase such securities on a mutually agreed date for the price paid by the broker-dealer or financial institution, plus interest at a negotiated rate. In a reverse repurchase transaction, a Client portfolio “buys” securities issued from a broker-dealer or financial institution, subject to the obligation of the broker-dealer or financial institution to repurchase such securities at the price paid by a Client portfolio, plus interest at a negotiated rate. The use of repurchase and reverse repurchase agreements by a Client involves certain risks. For example, if the seller of securities to a Client under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, the Client will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, a Client portfolio’s ability to dispose of the underlying securities may be restricted. It is possible, in a bankruptcy or liquidation scenario, that a Client portfolio may not be able to substantiate its interest in the underlying securities. Finally, if a seller defaults on its obligation to repurchase securities under a reverse repurchase agreement, the Client may suffer a loss to the extent that it is forced to liquidate its position in the market, and proceeds from the sale of the underlying securities are less than the repurchase price agreed to by the defaulting seller. Similar elements of risk arise in the event of the bankruptcy or insolvency of the buyer.

ITEM 9
DISCIPLINARY INFORMATION

There are no legal or disciplinary events that are material to the Investment Adviser's advisory business or the integrity of the Investment Adviser's management.

ITEM 10
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

The Investment Adviser and its related persons are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

The Investment Adviser and its related persons are not registered as, and do not have any application pending to register as, futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities.

The Investment Adviser does not have material relationships or arrangements with other industry participants.

The Investment Adviser does not recommend or select other investment advisers for its Clients.

Please see **Item 11** (Code of Ethics, Participation or Interest in Client Transactions and Personal Trading) and **Item 12** (Brokerage Practices) for further details and related items.

ITEM 11

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

The Investment Adviser strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, the Investment Adviser has adopted a Code of Ethics (the “Code”). The Code incorporates the following general principles that all employees are expected to uphold:

- employees must at all times place the interests of Clients first;
- all personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of an employee’s position of trust and responsibility must be avoided;
- employees must not take any inappropriate advantage of their positions;
- confidential information concerning Clients and the Funds’ investors must be kept confidential; and
- independence in the investment decision-making process must be maintained at all times.

The Code places restrictions on personal trades by employees, including that they disclose their personal securities holdings and transactions to the Investment Adviser on a periodic basis, and requires that employees pre-clear certain types of personal securities transactions. The Investment Adviser, its affiliates and its employees may invest on behalf of themselves in securities and other instruments that would be appropriate for, held by, or may fall within the investment guidelines of Clients.

The Investment Adviser trades on behalf of multiple Clients. Potential conflicts may arise because the Investment Adviser and its personnel may have investments in some Client accounts but not in others.

The Investment Adviser has established policies and procedures to monitor and resolve conflicts with respect to investment opportunities in a manner it deems fair and equitable, including the restrictions placed on personal trading in the Code, as described above, and regular monitoring of employee transactions and trading patterns for actual or perceived conflicts of interest.

Clients may request a copy of the Code by contacting the Investment Adviser at the address or telephone number listed on the first page of this document.

Please see **Item 12** (Brokerage Practices) for further details and related items.

ITEM 12

BROKERAGE PRACTICES

As noted previously, the Investment Adviser has discretionary trading authority with respect to its Clients, including authority to make decisions with respect to which securities are bought and sold, the quantity and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid. The Investment Adviser's authority is limited by its own internal policies and procedures and each Client's investment guidelines and Governing Documents.

Portfolio transactions for each Client will be allocated to brokers and dealers on the basis of numerous factors, pricing being one factor among several. Brokers and dealers may provide other services that are beneficial to the Investment Adviser and/or certain Clients, but not beneficial to all Clients. Subject to best execution, in selecting brokers and dealers (including prime brokers) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services, the Investment Adviser may consider, among other things, the following:

- quality of execution and settlement -- accurate and timely execution, clearance and error/dispute resolution;
- reputation, financial strength and stability;
- block trading and block positioning capabilities;
- willingness to execute difficult transactions;
- willingness and ability to commit capital to less liquid markets and situations;
- access to underwritten offerings and secondary markets;
- overall costs of a trade (i.e., net price paid or received), including commissions, markups, markdowns or spreads in the context of the Investment Adviser's knowledge of negotiated commission rates currently available and other current transaction costs;
- nature of the security and the available market makers;
- desired timing of the transaction and size of trade;
- confidentiality of trading activity;
- color on market trading activity; and
- the receipt of brokerage or research services.

Accordingly, the commission rates (or dealer markups and markdowns) charged to Clients by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers who may not offer such services. The Investment Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread. Generally, neither the Investment Adviser nor Clients separately compensate any broker or dealer for any of these other services.

The Investment Adviser maintains policies and procedures to review the quality of executions, including periodic reviews by its investment professionals.

Research and Other Soft Dollar Benefits

From time to time, the Investment Adviser may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of transactions) for effecting transactions in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research services provided by the broker-dealer. The Investment Adviser will effect such transactions, and receive such brokerage and research services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended, and subject to prevailing guidance provided by the SEC regarding Section 28(e). The Investment Adviser believes it is important to its investment decision-making processes to have access to independent research.

Also, consistent with Section 28(e), research products or services obtained with “soft dollars” generated by one or more Clients may be used by the Investment Adviser to service one or more other Clients, including Clients that may not have paid for the soft dollar benefits. The Investment Adviser does not seek to allocate soft dollar benefits to Client accounts in proportion to the soft dollar credits the Client accounts generate. Where a product or service obtained with soft dollars provides both research and non-research assistance to the Investment Adviser (i.e., a “mixed use” item), the Investment Adviser will make a good faith allocation of the cost which may be paid for with soft dollars. In making good faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of the Investment Adviser’s allocation of the costs of such benefits and services between those that primarily benefit the Investment Adviser and those that primarily benefit the Clients.

When the Investment Adviser uses brokerage commissions (or markups or markdowns) to obtain research or other products or services, the Investment Adviser receives a benefit because it does not have to produce or pay for such products or services. The Investment Adviser may have an incentive to select or recommend a broker-dealer based on the Investment Adviser’s interest in receiving research or other products or services rather than on its Clients’ interest in receiving most favorable execution.

At least twice per year, the Investment Adviser considers the amount and nature of brokerage and research services provided by broker-dealers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the brokerage business to broker-dealers on the basis of that consideration. Broker-dealers sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocation, but can (and often does) exceed the suggested level, because total brokerage is allocated on the basis of all the considerations described above. In no case will the Investment Adviser make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, nor will it commit to pay cash if any informal targets are not met. A broker-dealer is not excluded from receiving business because it has not been identified as providing research products or services.

Brokerage for Client Referrals

From time to time the Investment Adviser may participate in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to the

Clients or recommend the Funds as an investment to their clients. The Investment Adviser may place Client portfolio transactions with firms who have made such recommendations or provided capital introduction opportunities, provided that the Investment Adviser determines that it is consistent with best execution. In no event will the Investment Adviser select a broker-dealer as a means of remuneration for recommending the Investment Adviser or any product managed by the Investment Adviser (or an affiliate) or affording the Investment Adviser the opportunity to participate in capital introduction programs.

Directed Brokerage

The Investment Adviser does not recommend, request, permit or require that a Client direct the Investment Adviser to execute transactions through a specified broker-dealer.

Aggregation of Transactions

When appropriate, the Investment Adviser may, but is not obligated to, aggregate Client orders for the purpose of reducing transaction costs, to the extent permitted by applicable law. When an aggregated order is filled through multiple trades at different prices on the same day, each participating Client will generally receive the average price, with transaction costs generally allocated *pro rata* based on the size of each Client's participation in the order (or allocation in the event of a partial fill), or in some other manner in an effort to provide for fair and equitable treatment among Clients as determined by the Investment Adviser. In the event of a partial fill, allocations may be modified on a basis that the Investment Adviser deems appropriate, including, for example, in order to avoid odd lots or *de minimis* allocations. The Investment Adviser may face a potential conflict of interest with respect to allocation of Client orders to the extent that (i) the Investment Adviser receives different fees from different Clients and (ii) the Investment Adviser and its employees have a greater direct or indirect ownership interest in one Client than in another Client. The Investment Adviser attempts to address such conflicts through the allocation policies and procedures maintained by the Investment Adviser and summarized above.

ITEM 13

REVIEW OF ACCOUNTS

The Investment Adviser's personnel review Client portfolios typically on a daily basis in the ordinary course of their investment and trading activities. Such reviews are conducted by the members of the Investment Adviser's investment team. In addition, the Investment Adviser's operations team typically performs daily reviews of Client balances, transactions and positions.

The administrators for the Clients prepare daily reconciliations and complete month-end close packages. As part of the Investment Adviser's review of the accounts, it reviews and approves each administrator's independent net asset value calculation.

The Investment Adviser provides reports in accordance with each Client's applicable Governing Documents or other agreements with particular Clients or underlying investors in the Funds. Investors in the Funds generally receive (through the administrator) monthly account statements. The Investment Adviser supplements those statements with a more detailed analysis of a portfolio's performance or characteristics on a monthly basis. Certain investors are provided with information on a more frequent or detailed basis. In addition, the Investment Adviser may provide certain investors or potential investors with additional information if requested. To the extent an investor receives additional information (that other investors have not received), which is in addition to information provided in a Fund's regular reports to investors, such information may provide such investor with greater insight into the Fund's activities. This may enhance such investor's ability to make investment decisions with respect to the Fund and possibly affect such investor's decision to request a redemption from the Fund. The Investment Adviser also provides Fund investors with annual audited financial statements concerning their respective Funds within 120 days of the end of the Funds' fiscal year. Investors in the Onshore Fund will also receive annual K-1s.

For the Managed Accounts, the Investment Adviser provides transaction details on a daily basis to each Managed Account's administrator. The Investment Adviser may provide additional information as requested in accordance with the Governing Documents. To the extent that the Managed Accounts receive information that investors in the Funds do not, such information provides the Managed Account investors with greater insight into the Investment Adviser's activities, which may enhance a Managed Account investor's ability to make investment decisions with respect to redemptions from the respective Managed Account.

ITEM 14
CLIENT REFERRALS AND OTHER COMPENSATION

The Investment Adviser and its related persons may in the future, but do not currently, have any third-party marketing relationships and do not currently directly or indirectly compensate any person for client referrals. The Investment Adviser has entered into capital introduction agreements with certain financial institutions. Under these arrangements, the financial institution does not receive compensation for this service.

The Investment Adviser may receive certain research or other products or services from broker-dealers which may be considered “soft dollar” arrangements and may create a conflict of interest. See **Item 12** for further details and related items.

ITEM 15 CUSTODY

While Client assets are generally held in custody by unaffiliated qualified custodians, the Investment Adviser is deemed to have custody of the Funds' assets under Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended (the "Custody Rule"), because the Investment Adviser has the authority to access funds and securities, for example, by deducting advisory fees from the Funds' accounts.

While the Investment Adviser is subject to the Custody Rule, it is not bound by certain requirements because the Funds undergo an audit at least annually by an independent auditor that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. The Investment Adviser generally distributes audited financial statements to all investors in the Funds within 120 days of the applicable year-end.

Account statements related to the Clients are sent by qualified custodians to the Investment Adviser.

The Investment Adviser does not have custody of the assets of the Managed Accounts.

ITEM 16

INVESTMENT DISCRETION

The Investment Adviser and its affiliates have discretionary authority with respect to investment decisions on behalf of the Funds and the Managed Accounts. The terms and procedures governing assumption of this authority are set forth in the applicable Governing Documents.

For a further discussion of these and related items, see **Item 4** (Advisory Business).

ITEM 17

VOTING CLIENT SECURITIES

In compliance with Advisers Act Rule 206(4)-6, the Investment Adviser has adopted proxy voting policies and procedures. The general policy is to vote proxy proposals, amendments, consents or resolutions (collectively, “Proxies”) in a prudent and diligent manner that will serve the applicable Client’s best interests and is in line with each Client’s investment objectives.

The Investment Adviser may take into account all relevant factors, as determined by the Investment Adviser in its discretion, including, without limitation:

- the impact on the value of the securities or instruments owned by the relevant Client and the returns on those securities;
- the anticipated associated costs and benefits;
- the effect on liquidity; and
- industry and business practices.

In limited circumstances, the Investment Adviser may refrain from voting Proxies where the Investment Adviser believes that voting would be inappropriate, taking into consideration the cost of voting the Proxies and the anticipated benefit to its Clients. Generally, Clients may not direct the Investment Adviser’s vote in a particular solicitation.

Conflicts of interest may arise between the interests of the Clients on the one hand and the Investment Adviser or its affiliates on the other hand. If the Investment Adviser determines that it may have, or is perceived to have, a conflict of interest when voting Proxies, the Investment Adviser will vote in accordance with its proxy voting policies and procedures. Clients may obtain a copy of the Investment Adviser’s proxy voting policies and its proxy voting record upon request.

ITEM 18
FINANCIAL INFORMATION

The Investment Adviser does not require or solicit prepayment of fees six months or more in advance.

The Investment Adviser is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to Clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.